

Attachment

Ratified by
the Energy Regulatory Commission
of the Republic of Armenia
Resolution no. 64N
dated 2 October 2002

PROCEDURES

FOR THE COORDINATION OF DEVELOPMENT INVESTMENT PLANS SUBMITTED TO THE ENERGY REGULATORY COMMISSION OF THE REPUBLIC OF ARMENIA

In compliance with the item h) of Article 28 of the RoA Energy Law, these Procedures define the Development Investment Plan – the procedures of coordination with the Energy Regulatory Commission of the Republic of Armenia, submitted by the Licensee.

1. Basic Terms Used in the Procedures

The following terms are used in these Procedures with the meanings specified:

Licensee - a legal entity, which was issued the operation license by the Energy Regulatory Commission of the Republic of Armenia and performs operations in the Energy Sector in accordance with the terms established in the license.

Commission - the RoA Energy Regulatory Commission

Resolution - a legal act issued by the Commission within the limits of its authorities set by the RoA Energy Law.

Plan - a Development Investment Plan submitted to the Commission

Investments – within the framework of these Procedures, investments are financial expenses, made to increase useful and used assets necessary for the licensed activity of the company.

2. General Provisions

2.1 An Investment Plan submitted by the Licensee to the Commission must be aimed at solving one or some of the following problems:

- replace the obsolete and written off assets;
- employ modern energy-efficient and energy-conservative technologies;
- efficient use of domestic energy resources and alternative energy resources;
- compliance of the energy supply and energy service quality with the defined norms;
- improvement of the level of safety and reliability in the energy sector;
- increase of generating capacity;
- ensure environmental protection;
- ensure implementation of life and property safety rules defined in technical procedures;
- take economically supported measures to decrease technical and commercial losses;
- implement legal acts of the RoA Energy Regulatory Commission and other authorized bodies;
- extend the networks and increase the transmission capability of lines due to increase of load and /or electricity supply demand of new consumers;
- take other measures to increase the efficiency of activity.

2.2. The plan should be submitted to the Commission with adequate feasibility studies (design, budget, opinion of technical and environmental expertise of the design, terms of implementation of the plan, the amount, resources of financial assets necessary for implementation of the plan, and etc.), as well as degree of possible influence of the Plan on the Licensee's tariffs (cost of the services rendered).

2.3 The Licensee is responsible for the accuracy of the information presented to the Commission, in conformance with the Legislation of the Republic of Armenia.

2.4 The issues of confidentiality of the information presented in the Plan by the Licensee are regulated by Article 20 of the Energy Law of the Republic of Armenia.

3. Review of the Plan at the Commission

3.1 To coordinate the Plan with the Commission the Licensee files it with the Commission along with the attached note. The adequate division of the Commission checks the compliance of the submitted plan with the requirements of items 2.1 and 2.2.

3.2 The Plan shall be rejected if:

- a) the documents included in the Plan do not comply the requirements of the RoA legislation, other legal acts and these procedures;
- b) the submitted documents and information include inaccuracy and discrepancy.

3.3 The Commission in a written form notifies the Licensee of the checking results (accepts or rejects) no later than within 10 days after receiving the Plan. Regardless of the result of the review, the Plan is not subject to return to the Licensee and is stored by the Commission.

- 3.4 The Licensee can again submit the Plan to the Commission for discussion, after eliminating all shortcomings revealed by the Commission and/or adding the missed documents, in compliance with the requirements established in these Procedures.
- 3.5 In the event of positive result of the review, the Commission starts the process of the Plan study and issues an adequate Resolution within a 50-day period after the day of written notification on result of the Plan review.
- 3.6 The Commission has the right to require additional information and documents from the Licensee. The Commission notifies in written form necessity of presentation of the aforementioned information and documents to the Licensee.
- 3.7 A Plan shall be rejected if:
- the information presented in it does not correspond to the real facts,
 - the submitted Plan is not aimed at solving one or some of the problems established in the item 2.1.
 - the proposed solutions does not comply with the technical rules and procedures effective in the RoA.
- 3.8 The plan can be rejected, in case it leads to the increase of consumer tariffs.
- 3.9 The copy of the Resolution on positive opinion of the Commission about the submitted Plan and inclusion of investments of designed by the Plan or rejection of the Plan, should be sent to the Licensee within 5 working days.
- 3.10 In the event of rejection of the Plan the Licensee can amend the drawbacks that served a ground for rejection, redevelop the Plan and submit it again to the Commission for the consent.
- 3.11 The actual investments foreseen in the Plan coordinated with the Commission shall be included into the Licensee tariffs after the implementation of investments within the time frames defined by the Licensee and after submission of documents verifying their implementation to the Commission. The mentioned documents shall be forwarded along with the application defined by the “Tariff Setting (Review) Procedure” approved by the Commission.
- 3.12 The following costs are not included into the implemented investments:
- costs of works unforeseen in the preliminary budget
 - unreasonable costs
 - part of costs exceeding the market prices of materials and equipment used according to the budget documents.

- 3.13 If the company exceeds the level of investments foreseen in the draft of the Plan, the additional expenses will be considered only if changes justifying those expenses are coordinated with the Commission in advance.
- 3.14 If in the result of implementation of investments the company is unable to achieve the indicators specified in the Plan, then the Commission shall consider the implemented investments in tariff calculation in proportion with the achieved results.